

Lee

Canadian Pacific
 Railway Company
 Annual Report 1964

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Canadian Pacific

a year of remarkable achievement

Action photographs dramatically portray current achievements and activities of Canadian Pacific. Eighteen full-colour photographs capture and project the Company's vital and diversified corporate operations. This is Canadian Pacific's world—a world of action. Increasingly active in Canada, and progressively expanding abroad, Canadian Pacific, through its integrated services, rapid technological changes and marketing awareness, is consistently in a position to benefit from business opportunities wherever they occur. Canada . . . United States . . . Western Europe . . . South America and the Far East . . . all are "spheres of interest" for Canadian Pacific's transportation facilities—travel destination points—and areas of sales for resources produced by subsidiaries. The world of communications is constantly growing smaller but Canadian Pacific's world of markets is constantly growing larger. Action will mean greater success for Canadian corporations in the fast-unfolding field of international commerce, and where the action is, Canadian Pacific will be.

CANADIAN PACIFIC RAILWAY COMPANY

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Notice to Shareholders

The Eighty-fourth Annual General Meeting of the Shareholders of this Company, for the election of Directors to take the places of the retiring Directors and for the transaction of business generally, will be held on Wednesday, the fifth day of May next, at the principal office of the Company, at Montreal, at twelve o'clock noon (daylight saving time, if operative).

The Ordinary Stock Transfer Books will be closed in Montreal, Toronto, Vancouver, New York, and London at 3.30 p.m. on Tuesday, the thirteenth day of April, 1965. The Preference Stock Books will be closed in Montreal, Toronto, Vancouver, and London at the same time.

All books will be re-opened on Thursday, the sixth day of May, 1965.

By order of the Board,

Montreal, March 8, 1965.

T. F. TURNER, Secretary.

BOARD OF DIRECTORS

- G. H. BAILLIE
*Managing Director, Europe, Canadian Pacific Railway Company,
London, England*
- G. MAXWELL BELL
Chairman, F.P. Publications Limited, Calgary
- *LaMONTE J. BELNAP
*Honorary Chairman, Consolidated Paper Corporation Limited,
Montreal*
- SIR GEORGE BOLTON, K.C.M.G.
*Chairman, Bank of London & South America Limited,
London, England*
- *GEORGE W. BOURKE
*Chairman of the Board, Sun Life Assurance Company of Canada,
Montreal*
- HON. F. PHILIPPE BRAIS, C.B.E., Q.C.
Barrister, Montreal
- CYRIL F. H. CARSON, Q.C.
Barrister, Toronto
- THE HON. J. V. CLYNE
*Chairman of the Board and Chief Executive Officer, MacMillan, Bloedel
and Powell River Limited, Vancouver*
- *N. R. CRUMP
*Chairman and Chief Executive Officer, Canadian Pacific Railway
Company, Montreal*
- *R. A. EMERSON
*President and Chief Operating Officer, Canadian Pacific Railway
Company, Montreal*
- G. BLAIR GORDON
Chairman of the Board, Dominion Textile Company Limited, Montreal
- G. ARNOLD HART, M.B.E.
Chairman and President, Bank of Montreal, Montreal
- ALLARD JISKOOT
Partner, Pierson, Heldring & Pierson, Amsterdam, The Netherlands
- H. H. LANK
President, Du Pont of Canada Limited, Montreal
- R. S. McLAUGHLIN
Chairman, General Motors of Canada Limited, Oshawa
- W. EARLE McLAUGHLIN
Chairman and President, The Royal Bank of Canada, Montreal
- LUCIEN G. ROLLAND
*President and General Manager, Rolland Paper Company, Limited,
Montreal*
- H. E. SELLERS, C.B.E.
Chairman of the Board, Federal Grain Limited, Winnipeg
- HOWARD C. SHEPERD
Retired Chairman, First National City Bank, New York
- *IAN D. SINCLAIR, Q.C.
Vice-President, Canadian Pacific Railway Company, Montreal
- *H. GREVILLE SMITH, C.B.E.
Industrialist, Montreal
- HAROLD M. TURNER
Vice-Chairman, Turnbull Elevator Limited, Toronto
- *H. G. WELSFORD, M.B.E.
Chairman of the Board, Dominion Bridge Company Limited, Montreal
- HENRY S. WINGATE
*Chairman of the Board and Chief Executive Officer, The International
Nickel Company of Canada, Limited*

*Members of
Executive Committee

OFFICERS

N. R. CRUMP, *Chairman and Chief Executive Officer*, Montreal
R. A. EMERSON, *President and Chief Operating Officer*, Montreal
IAN D. SINCLAIR, Q.C., *Vice-President*, Montreal
G. H. BAILLIE, *Managing Director, Europe*, London, England
W. A. CROSBIE, *Vice-President, Special Duties*, Montreal
J. N. FRAINE, *Vice-President, Rail Operations*, Montreal
S. M. GOSSAGE, *Vice-President, Company Services*, Montreal
D. I. McNEILL, Q.C., *Vice-President, Personnel*, Montreal
H. P. MILLAR, *Vice-President, Purchases and Stores*, Montreal
H. C. REID, *Vice-President and Comptroller*, Montreal
J. M. ROBERTS, *Vice-President, Traffic*, Montreal
F. V. STONE, *Vice-President, Development*, Montreal
G. J. van den BERG, *Vice-President, Finance*, Montreal
J. A. WRIGHT, Q.C., *Vice-President, Law*, Montreal
J. U. BRAZEAU, *Vice-President, Atlantic Region*, Montreal
C. A. COLPITTS, *Vice-President, Pacific Region*, Vancouver
D. M. DUNLOP, *Vice-President, Prairie Region*, Winnipeg
L. R. SMITH, *Vice-President, Eastern Region*, Toronto
J. HOLMES, *Treasurer*, Montreal
R. F. TREMAYNE, *Deputy Secretary*, 8 Waterloo Place,
London, S.W.1, England
T. F. TURNER, *Secretary*, Montreal

STOCK TRANSFER AGENTS

BANK OF MONTREAL TRUST COMPANY
2 Wall Street, New York
THE ROYAL TRUST COMPANY
105 St. James Street West, Montreal
THE ROYAL TRUST COMPANY
119 Adelaide Street West, Toronto
THE ROYAL TRUST COMPANY
626 West Pender Street, Vancouver
DEPUTY SECRETARY
8 Waterloo Place, London, S.W.1, England

STOCK LISTINGS

DEBENTURE STOCK (STERLING) LISTED ON:
London Stock Exchange
DEBENTURE STOCK (U.S. CURRENCY) LISTED ON:
New York Stock Exchange
PREFERENCE STOCK LISTED ON:
London Stock Exchange
ORDINARY STOCK LISTED ON: Montreal, Toronto, Vancouver,
New York and London Stock Exchanges

For more information,
shareholders should write to:
T. F. Turner, Secretary,
Canadian Pacific Railway Company,
Montreal 3, Canada.

HIGHLIGHTS

Year's Results

	1964	1963	Increase or Decrease
Railway Revenues	\$ 510,144,989	\$ 477,197,937	\$ 32,947,052
Railway Expenses	466,680,334	441,936,070	24,744,264
Net Railway Earnings	43,464,655	35,261,867	8,202,788
Ratio Railway Expenses to Railway Revenues	91.5%	92.6%	1.1%
Other Income	\$ 16,789,532	\$ 21,402,406	\$ 4,612,874
Interest and Rental Charges	16,184,235	16,538,162	353,927
Net Income from Railway and Miscellaneous Sources*	44,069,952	40,126,111	3,943,841
Dividends therefrom:			
Preference Stock	3,390,058	3,406,980	16,922
Ordinary Stock	21,498,684	21,498,684	—
Balance for Modernization and Other Corporate Purposes	19,181,210	15,220,447	3,960,763
Net Income per Ordinary Share,* after Preference Dividends	\$ 2.83	\$ 2.56	\$ 0.27
Income from Canadian Pacific Investments Limited:			
Net Income (being dividends re- ceived from Canadian Pacific Investments Limited)	\$ 14,332,456	—	\$ 14,332,456
Dividends therefrom:			
Ordinary Stock—\$1.00 per share	14,332,456	—	14,332,456

*Excluding dividends received from
Canadian Pacific Investments Limited

Tax Accruals

Income Taxes	\$ 37,960,000	\$ 28,770,000	\$ 9,190,000
Property and Other Taxes	14,964,175	14,430,583	533,592

Year-end Position

Working Capital	\$ 40,593,458	\$ 72,958,202	\$ 32,364,744
Investments	446,474,736	291,409,615	155,065,121
Properties—Net	1,358,513,765	1,389,875,489	31,361,724
Funded Debt	129,212,500	135,072,500	5,860,000

Traffic

Tons of Revenue Freight Carried . .	66,362,475	59,254,103	7,108,372
Revenue Passengers Carried	6,997,202	6,748,859	248,343

Employees

Employees, All Services	68,540	68,932	392
Total Payroll	\$ 331,982,756	\$ 319,942,137	\$12,040,619

84th Annual Report

OF THE DIRECTORS TO THE SHAREHOLDERS

THE YEAR IN REVIEW

Your Directors take pleasure in presenting herein their report on the results and developments of the past year.

The year 1964 was one of notable prosperity for Canada and a year of progress and achievement for Canadian Pacific. Railway revenues reached an all time peak; the volume of freight traffic handled was the highest in the Company's history; improvements were recorded in the results of airlines, steamships and hotels; and major advances were realized by your subsidiaries in the fields of oil and gas, mining, and timber.

A major change in the management structure of the Company, designed to broaden and streamline the workload of senior officers, was effected during the year.

The net income of your Company, after fixed charges, from railway and miscellaneous sources, other than Canadian Pacific Investments Limited, amounted to \$44.1 million. After providing for dividends of 4% on Preference Stock, the balance of such income amounted to \$40.7 million or \$2.83 per share of Ordinary Stock from which dividends of \$1.50 per share of Ordinary Stock were declared.

Income received from Canadian Pacific Investments Limited amounted to \$14.3 million equivalent to \$1.00 per share of Ordinary Stock of your Company. In accordance with the policy adopted by your Directors that such income should flow through to the shareholders, this income was distributed by the declaration of additional dividends totalling \$1.00 per share of Ordinary Stock. Thus total dividends for the year on Ordinary Stock were \$2.50 per share compared with \$1.50 last year.

In 1963 net income, after fixed charges and dividends on Preference Stock, totalled \$36.7 million or \$2.56 per Ordinary share.

The twofold objective of your Company, to provide high-quality efficient services to patrons and to strengthen and expand your diversified interests, was vigorously pursued during the year. Additional specialized equipment was placed in operation; new industrial parks were established; consolidation of express and less-than-carload freight handling was completed in Eastern Canada; new trucking and Merchandise Service terminal facilities were constructed; additional highway equipment was placed in service; a new automatic freight classification yard was opened at Toronto; an ultra-modern inter-communication system was installed in the freight yards at Winnipeg; centralized traffic control systems were extended; and a program of power upgrading was introduced with the acquisition of twelve of the most powerful diesel locomotives ever built for a Canadian railway and with placement of orders for the conversion of forty-two others. Emphasis continued to be placed on marketing through intensive sales training, research and advertising.

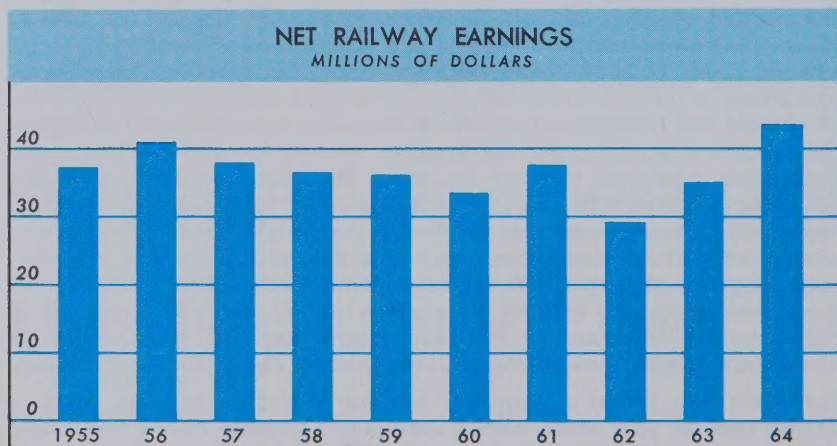
During the year further subscriptions totalling \$155.5 million were made to capital stock of your wholly-owned subsidiary Canadian Pacific Investments Limited, making an aggregate investment in shares at the end of the year of

\$279.3 million. From the amount subscribed in 1964, additional securities of controlled companies amounting to \$41.5 million were acquired and the balance was applied to the investment portfolio. The Consolidated Mining and Smelting Company of Canada Limited experienced a highly successful year and an extensive program of development in that company's fertilizer, steel fabricating, and mining activities was advanced. Marked progress was made in oil and gas exploration by Canadian Pacific Oil and Gas Limited. In partnership with other companies, a 267-mile crude oil pipeline was completed in Alberta and an agreement was entered into for offshore exploration in the British area of the North Sea. Operations of Pacific Logging Company Limited were expanded, and its reforestation and fertilization program was intensified. Highlights of hotel activities included the commencement of construction of the 620-room Le Château Champlain at Montreal; the opening of Le Baron Motor Hotel at Sherbrooke; the signing of a management contract to operate a new 330-room hotel at Edmonton; and the extension of "Reserve-a-Room" service. In real estate, development of industrial parks was underway by Marathon Realty Company Limited in the Calgary and Montreal areas, and studies were conducted on a number of other locations which offer potential.

Though railway results showed a marked improvement over 1963 and were at a post-war high, the rate of return on your net investment in railway property was only 3.5%. It is hoped that the recommendations of the MacPherson Royal Commission on Transportation, issued in 1962, will soon receive legislative action in order to alleviate the burdens placed upon the railway by public policy.

Other income, at \$16.8 million, decreased \$4.6 million from the previous year. Dividend income was lower owing principally to the sale at the end of 1963 of the controlling interest in The Consolidated Mining and Smelting Company of Canada Limited to Canadian Pacific Investments Limited. Net income from petroleum rents, royalties and land rents was lower as a result of the sale by your Company of its remaining mineral rights to Canadian Pacific Oil and Gas Limited, and the sale of the agricultural lands to Marathon Realty Company Limited.

Capital expenditures for the year amounted to \$63.2 million, comprising \$46.8 million expended on railway plant and equipment, \$7.7 million on telecommunication facilities, \$6.7 million on aircraft, and \$2.0 million on hotels and other properties.



RAILWAY OPERATIONS

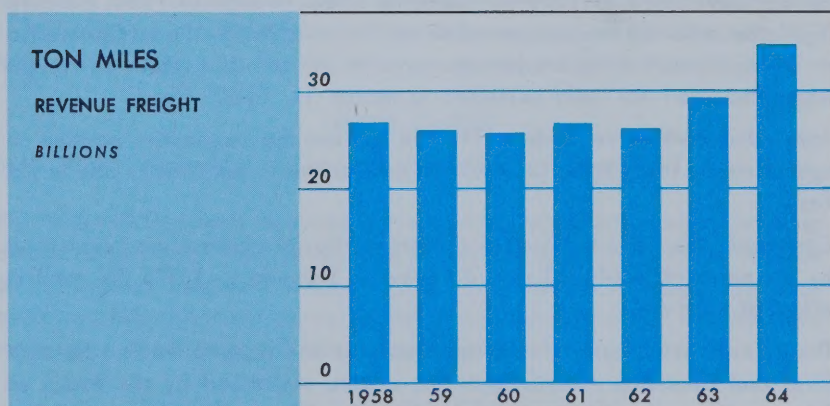
NET RAILWAY EARNINGS, at \$43.5 million, after provision for income taxes of \$32.3 million, were \$8.2 million, or 23%, higher than in 1963. On a comparable basis, net earnings showed an increase of \$11.2 million, or 35%, over 1963 earnings restated to exclude \$3.0 million, or 20¢ per share, referable to 1962 in respect of freight rate reductions and the recommendations of the MacPherson Royal Commission on Transportation.

RAILWAY REVENUES amounted to \$510.1 million, an increase of \$32.9 million, or 7%, and were the highest in the history of the Company, exceeding those of 1956, the previous record year, by 1%. Revenues included payments of \$19.3 million related to recommendations of the MacPherson Royal Commission on Transportation and \$7.4 million in respect of freight rate reductions. Payments from the Government in 1963 totalled \$32.4 million of which \$6.2 million was referable to 1962.

RAILWAY EXPENSES amounted to \$466.6 million, an increase of \$24.7 million, or 6%. Higher wage rates added over \$8 million to the year's expenses.

Freight Traffic

FREIGHT REVENUE, at \$449.2 million, increased \$29.9 million, or 7%, com-



pared with an increase of 17% in freight traffic volume, measured in revenue ton miles. The average revenue per ton mile, at 1.32¢, was down from 1.44¢ in 1963, reflecting the heavy movement of export grain.

In addition to grain, other commodities that recorded marked increases in volume were animals and animal products; coal; iron and copper-nickel ores; other mine products; pulpwood; iron and steel products; machinery and parts;

other petroleum products; cement; newsprint paper; woodpulp; automobiles; and chemicals and acids. In contrast, declines were recorded in vegetables; other agricultural products; building sand and gravel; gasoline; plaster, lime and brick; and fertilizers.

MERCHANDISE SERVICES—The program of providing facilities, equipment and services adapted to the integrated handling of express, less-than-carload and truck traffic was further advanced during the year. A new vehicle maintenance facility was completed at Winnipeg, construction commenced on a new terminal at Duncan, B.C., radio-communications were installed on city pick-up and delivery trucks at Vancouver, and additional equipment was ordered to meet the demands of increased business and to improve the standard of the fleet. In addition, a new marketing division was established to provide closer liaison with customers.

PIGGYBACK SERVICE—This trailer-on-flat-car service, which combines the advantages of mass movement by rail with the flexibility of truck operations at terminals, enjoyed another successful year as evidenced by the increase to 157,800 in the number of trailers handled from 139,700 in 1963.

Seven new terminals were opened bringing the total to 53 in service at year end. Two portable ramps were purchased to provide piggyback service at locations where permanent installations are not yet warranted.

FREIGHT RATES—The "freeze" on the general level of freight rates, imposed by the Government in 1959, remained in effect throughout 1964, pending legislative action on the recommendations of the MacPherson Royal Commission on Transportation. Compensatory payments to the railways under the Freight Rates Reduction Act were extended to March 31, 1965.

Rate adjustments were made in 1964 to improve the competitive position on lumber traffic from British Columbia to destinations in the Prairies and in the East.

Continued increase in the number of agreed charge contracts was evidenced by the negotiation of 133 new agreements, bringing to 1,075 the total in effect at year end.

The increase in bulk grain rates from Georgian Bay ports to the St. Lawrence River and Canadian Atlantic ports for export, authorized by the Board of Transport Commissioners for Canada in April, 1961, was further suspended to June 30, 1965.

Passenger Traffic

PASSENGER REVENUE, including sleeping, parlour, dining and buffet car revenue, at \$33.1 million, was \$1.0 million, or 3%, higher than in 1963. However, to achieve this the number of passenger car miles operated was increased by 7%. The number of passengers carried was up 4% and the average

passenger journey increased 18% resulting in an increase of 22% in passenger miles.

The "Faresaver" plan, introduced in late 1963, though attracting additional patronage, did not produce sufficient revenue to justify the drastically reduced fares.



In view of the increased use of the private automobile over improved highways in short distance travel and the inherent advantages of the jet airliner over long distances, no prospect is envisaged by your Company of attracting rail passengers in sufficient numbers, on many segments of our lines, at prices they are willing to pay, to offset the expenses of providing this service.

Other Traffic

MAIL REVENUE, at \$5.1 million, was down \$85,000 from 1963.

EXPRESS—Net earnings from express operations included in railway revenues amounted to \$4.4 million, a decrease of \$683,000, or 13%. Gross revenue of the Express Company showed marked improvement reflecting increased rates and higher volume. However, this was more than offset by increased wage rates and increased highway and other miscellaneous costs.

Railway Expenses

ROAD AND EQUIPMENT MAINTENANCE—Road maintenance expenses were at the same level as in the previous year, and equipment maintenance expenses increased \$677,000, or 1%, notwithstanding increased wage rates which added an estimated \$3.2 million to maintenance expenses. Depreciation rates on both road property and equipment remained unchanged from 1963.

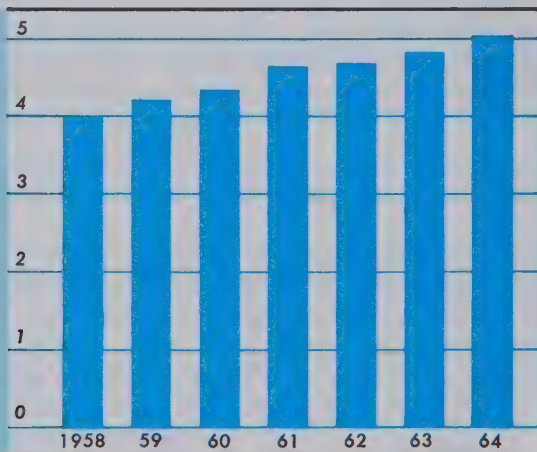
TRANSPORTATION expenses were up \$12.0 million, or 7%, reflecting the increased volume of transportation work performed, and higher wage rates

which added an estimated \$4.1 million to transportation expenses. The ratio of transportation expenses to railway revenues was 34.7%, compared with a ratio of 35.1% in the previous year based on 1963 revenues restated to exclude payments received from the Government in respect of 1962. Improvements continued to be effected in operating efficiency, as indicated by increases in the average freight train weight, cars per freight train and gross ton miles per freight train hour.

WAGES—Collective Agreements were concluded during the year between your Company and unions representing the major groups of railway employees, thereby ensuring stability in labour relations throughout 1965.

On July 17, a Master Agreement was signed by the fifteen unions representing the non-operating employees and the Canadian railways. The agreement conformed to the recommendations of a Board of Conciliation and will remain in effect until December 31, 1965. Provision was made for wage increases of 6¢ per hour from January 1, 1964; 3¢ per hour from July 1, 1964; 2% from January 1, 1965; and a final 3% from July 1, 1965. Weekly indemnity payable in cases of sickness and non-occupational injuries was increased from \$40 to \$50, and life insurance coverage was increased by \$500. Dividends which have been received from the underwriters of the health and welfare plan in earlier years will be used to meet the extra premium costs involved.

RAILWAY EMPLOYEES
AVERAGE ANNUAL WAGE
EXCLUDING FRINGE BENEFITS
THOUSANDS OF DOLLARS



In correspondence exchanged in June 1964 regarding the impact of agreements with the non-operating and other railway employees, the Prime Minister of Canada indicated the Government's intention to have an impartial examination made of the effect of the additional wage costs arising from those agreements in six months' time. This examination will be to determine what additional financial adjustments the railways are entitled to during the period up to the

coming into effect of the proposed new railway legislation implementing the recommendations of the MacPherson Royal Commission on Transportation.

An important development in the field of labour relations was the signing, on November 16th, of a Supplementary Agreement which will make benefits available to long-service employees who might suffer loss of employment. The "Job Security" Agreement represented the culmination of negotiations with the non-operating unions arising out of the Master Agreement on November 2, 1962, by which a fund was established into which your Company, commencing January 1, 1963, contributed one cent for each hour of compensated service performed by non-operating employees covered by Collective Agreement.

Reference was made in the 1963 Annual Report to the settlements reached in 1964 with employees in train and yard service represented by the Brotherhood of Railroad Trainmen, and with engine service employees represented by the Brotherhood of Locomotive Engineers. Settlement was subsequently reached with the Brotherhood of Locomotive Firemen and Enginemen on a three-year contract commencing July 1, 1964, providing for wage increases amounting to 6½% for firemen in passenger service and hostlers, and 4% for firemen in freight and yard service.

Properties

Modernization of your railway plant and equipment was further advanced during the year. New freight train cars placed in service totalled 664. These comprised 246 covered hopper cars of 70-ton capacity; 200 flat cars; 135 automobile cars of which 75 were bi-level and 60 were tri-level; 42 box cars for newsprint; and 41 piggyback flat cars. In addition, a program of upgrading of motive power was commenced with the acquisition of 12 diesel freight locomotives, each with a capacity of 2,500 horsepower, and the placement of orders for the conversion of 42 others. Radio communication equipment was installed on all road diesels by year end.

The track replacement program included the laying of 537 miles of new and relay rail, the installation of some 1.1 million ties, and the application of rock and gravel ballast to 121 miles of track. Centralized traffic control was installed on 133 road miles. At year end, automatic block signals, including centralized traffic control systems, were in operation on 3,798 miles of road.

During the year, 384 new manufacturing, warehousing and distributing businesses were located on or near Canadian Pacific lines, and a further 544 industries expanded or relocated their facilities adjacent to your railway. To serve the needs of industry a total of 25 miles of track was laid in new and extended sidings.

Construction of new ore stockpiling and shiploading facilities at Turner, Ontario, neared completion and these facilities are expected to be ready for operation for the opening of the 1965 navigation season.

OTHER INCOME

Income of your Company from miscellaneous sources comprising other operations and investments, after provision for income taxes of \$5.7 million, amounted to \$16.8 million, a decrease of \$4.6 million. An improvement of some \$5 million in Air Lines results was more than offset by the reduction in income related to securities and assets transferred to Canadian Pacific Investments Limited and its subsidiaries. Subsequent references in this section to net earnings from operations are, in all cases, before provision for income taxes.

Steamships

Steamship operations resulted in a loss of \$385,000 compared with a loss of \$2.9 million in 1963.

The loss from operations of ocean steamships was substantially reduced in 1964. Results of your "Empress" vessels in North Atlantic service showed marked improvement as a decrease in revenues was more than offset by lower expenses, reflecting the decision of your Company to operate two vessels in this service compared with three in the previous year. Passenger carryings during the year were subject to severe competition from airlines in regular and charter service. Improvement was also recorded in the results of steamship freight operations maintained by "Beaver" and chartered vessels. However, a relatively good year was marred by congested conditions at the Port of London which adversely affected schedules. At year end construction was well advanced on the new, fast, ice-strengthened, 6,800-ton ship, to be named "Beaveroak", which is expected to augment your cargo fleet in the summer of 1965.

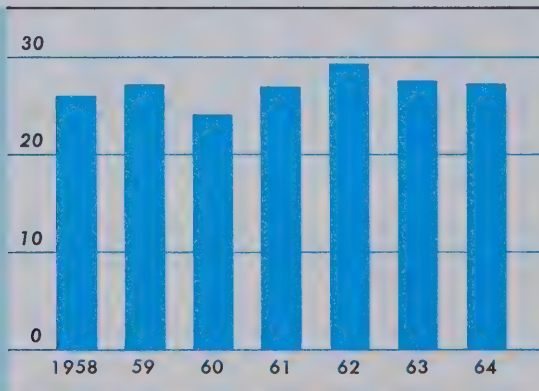
The "Empress of Canada" was again assigned in the early part of the year to a series of cruises, operating from New York to ports in the West Indies. The "Empress of England", following withdrawal from service under charter to Travel Savings Limited, joined the "Empress of Canada" in North Atlantic service between Canada and the United Kingdom. The "Empress of Britain", after completion of a number of cruises under charter to Travel Savings Limited, was sold and delivered to her new owners in November. This charter service, inaugurated in the latter part of 1963, was terminated in mid-1964, as it did not produce the results anticipated.

Orders were placed in Japan for two 65,000-ton tankers. Long-term contracts have been negotiated with petroleum companies for the use of both these

OCEAN STEAMSHIPS

REVENUE

MILLIONS OF DOLLARS



vessels. A subsidiary company, Canadian Pacific (Bermuda) Limited, has been formed to own and operate these two tankers.

Following extensive studies by company officials and consultants, changes were made in the management structure of the ocean steamship company to effect a more efficient operation.

Net earnings of coastal steamships were up mainly as a result of expenses incurred in 1963 associated with the conversion of the "Princess Patricia" to a luxury cruise ship for the Alaska service.

Floating ramps at Vancouver and Nanaimo were introduced enabling passengers to drive automobiles on and off the converted upper deck of the "Princess of Vancouver". These facilities increased the carrying capacity of the vessel by 50 automobiles.

Hotels

Operation of hotels showed net earnings of \$1.8 million, up \$629,000. This was largely attributable to increased convention business at the Royal York Hotel. Significant improvements were also recorded in the results of the Banff Springs, Saskatchewan, Empress, and Royal Alexandra hotels. Net earnings of the Chateau Frontenac declined as a result of a lower volume of convention business, competition from the New York World's Fair, and repairs to the premises. Earnings of the Hotel Palliser were down reflecting the impact of competition from new hotels constructed in Calgary.

Improvements to hotel facilities in 1964 included the construction of a 450-space parking garage at the Chateau Frontenac, which is expected to be in service in early 1965, and the renovation and modernization of guest accommodations at the Hotel Palliser and Chateau Frontenac.

Labour negotiations with employees of the Hotel Saskatchewan were in progress at year end. Collective agreements covering employees of all other hotels remained in force throughout 1964.

The Royal York Hotel was sold by your Company January 1, 1965 to Canadian Pacific Hotels Limited, a subsidiary of Canadian Pacific Investments Limited.

Telecommunications

Net earnings of telecommunication services, at \$2.0 million, were \$75,000 lower than in 1963. Gross revenues showed a substantial improvement as increases in revenue from "telex" and private wire services more than offset a decrease in telegraph message traffic. Marked increases in expenses resulted from heavy maintenance, from higher wage rates and from depreciation charges for the Montreal-Vancouver micro-wave network in its first year of operation.

The multi-million dollar, 3,280-mile Montreal-Vancouver micro-wave network, built jointly by your Company and Canadian National, was officially opened in 1964, and spur lines from the micro-wave system to Toronto, Regina, Calgary and other intermediate points were completed and put into operation. Work commenced on a micro-wave link between Toronto and Buffalo, N.Y. to connect with Western Union's micro-wave facilities in the United States.

Orders were placed during the year for electronic equipment for a new Broadband Switched Service to be operated jointly with Canadian National. This service, to be in operation in late 1965 or early 1966, will enable customers, through direct dialing, to obtain circuits for the transmission of speech or pictures, or the high-speed transfer of data between computers.

Dividend Income

Dividend income, at \$4.1 million, was \$9.0 million lower than in 1963 owing principally to the sale by your Company at the end of 1963 of the controlling interest in The Consolidated Mining and Smelting Company of Canada Limited to Canadian Pacific Investments Limited.

Dividends in 1964 from Soo Line Railroad Company, at \$2.3 million, increased \$1.8 million and dividends from The Toronto, Hamilton and Buffalo Railway Company, at \$801,000, were up \$588,000. Dividends from Midland Simcoe Elevator Company, Limited, prior to your Company's sale of the shares to Canadian Pacific Investments Limited, amounted to \$392,000 and dividends from The New Brunswick Cold Storage Company Limited, prior to its sale by your Company to Marathon Realty Company Limited, totalled \$131,000.

Miscellaneous Income

Net income of your Company from petroleum rents, royalties, and land rents, exclusive of earnings from these sources which accrue to Canadian Pacific Oil and Gas Limited, amounted to \$279,000, a decrease of \$1.9 million.

Rents from agricultural lands decreased substantially reflecting the sale of all agricultural lands to Marathon Realty Company Limited during the year.

The Department of Natural Resources was abolished following the transfer of the remaining assets administered by this Department to Marathon Realty Company Limited.

Interest income from temporary cash investments, funds in banks and other sources decreased \$1.4 million.

The results of operations of Northern Alberta Railways Company, operated jointly with Canadian National Railways, showed marked improvement. Interest income on your holdings of mortgage bonds of this company amounted to \$575,000. No interest was received in 1963.

Canadian Pacific Air Lines, Limited

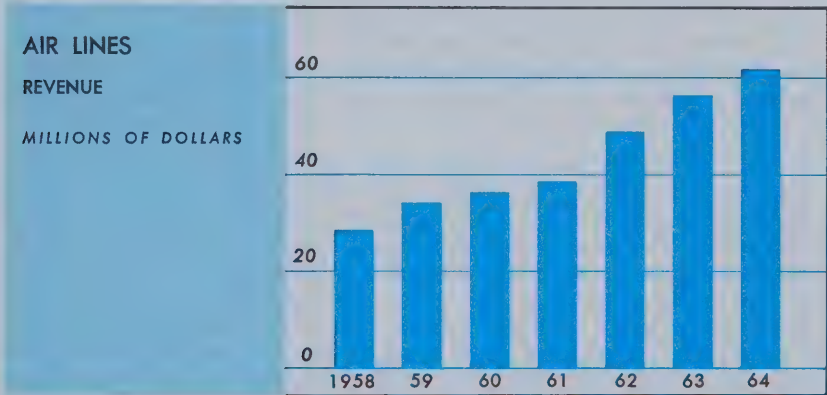
A profit of \$4.8 million was earned by your Air Lines in 1964 after payment of interest of \$2.3 million to the parent Company, and is reflected in the accounts of your Company in net income from separately operated properties. This compared with a profit of \$347,000 in 1963 after payment of interest of \$1.3 million.

Increased traffic volume, the availability of a fifth Super DC-8 aircraft for the entire year, and continued careful control of expenses were mainly responsible for the marked improvement in the results.

Operating revenues were 10% higher than in 1963 despite a substantial reduction in fares on North Atlantic routes. Production, measured in available ton miles, was approximately the same as in 1963, and expenses were maintained at the same level as the previous year notwithstanding rising costs.

International transportation revenue increased 11% with increases recorded on almost all routes. Frequency on the Polar route was reduced during the summer season from five to three flights per week. The reduction of two Britannia flights was made because of the elimination of the fare differential for propeller equipment. Frequency on the Montreal-Mexico City sector was reduced in May by the elimination of Britannia flights, and Super DC-8 aircraft replaced Britannia equipment on the third weekly flight on the Mexico City-Lima sector. With the exception of the Hawaii-Antipodes service,

and one weekly Honolulu-Vancouver flight for the 1964-65 winter season, all international schedules are now operated with Super DC-8's. Service to Hawaii for the 1964-65 winter season is on a daily basis.



With the sale of the remaining three Convair 240 aircraft during the year, the fleet at year end was reduced to nineteen aircraft. Orders have been placed for a sixth Super DC-8 aircraft to be delivered in November, 1965 and a DC-8 flight simulator for installation early in 1966.

Three supersonic aircraft positions were reserved with the United States Federal Aviation Agency to protect the company's competitive position in the forthcoming supersonic era.

Your airline is participating in a review of co-operative arrangements with Air Canada, and both carriers have been assisting the Government in an advisory capacity in the negotiation of a revised bilateral agreement with the United States relative to trans-border traffic routes.

Soo Line Railroad Company

Income received from the Soo Line Railroad Company, at \$3.2 million, was \$1.0 million higher than in the previous year. Dividends received on your Company's holdings of common stock amounted to \$2.3 million, an increase of \$1.8 million over 1963. Interest on your investment in bonds of its predecessor companies amounted to \$909,000, compared with interest of \$1.8 million in the previous year which included arrears from earlier years.

The net income of the Soo Line Railroad Company, in which your Company has the controlling interest, was \$4.4 million compared with \$4.1 million in 1963. Increased freight traffic revenue, offset in part by higher wage rates, contributed to the improved results.

Highway Transport

Your subsidiary, Canadian Pacific Transport Company, Limited, operating under Merchandise Services, handled an increased volume of business. Greater use of piggyback service contributed additional revenues to the railway.

The volume of traffic of your subsidiary, Smith Transport Limited, continued to grow. New improved units have been added to the linehaul and city fleets to take advantage of increased weight and length measurements permitted by regulation. New terminals were opened at Brockville and Belleville, and modern maintenance facilities were under construction at Toronto.

CORPORATE—FINANCIAL

Fixed Charges

Fixed Charges, at \$16.2 million, were \$354,000 lower than in 1963. Lower interest expenses on funded debt as a result of the discharge of equipment trust certificates and the purchase and cancellation of collateral trust bonds were chiefly responsible for this decrease.

Dividends Declared

Dividends on Preference Stock were declared at the same rates as in 1963, comprising 2% paid July 31, 1964, and 2% paid February 1, 1965. Dividends on Ordinary Stock totalled \$2.50 per share comprising \$1.00 paid July 31, 1964, and \$1.50 paid February 15, 1965. Of the total dividend on the Ordinary Stock, \$1.00 per share represented dividends from your wholly-owned subsidiary Canadian Pacific Investments Limited which flowed through as dividends to Canadian Pacific Railway Company shareholders.

Finance

Serial equipment obligations amounting to \$3,668,000 were discharged in 1964.

Convertible Seventeen Year 4% Collateral Trust Bonds in the amount of \$937,000, Convertible Fifteen Year 3½% Collateral Trust Bonds in the amount of \$224,000, and Eighteen Year 3¾% Collateral Trust Bonds in the amount of \$1,031,000, were purchased and cancelled.

The foregoing transactions resulted in a decrease of \$5,860,000 in Funded Debt, and a decrease of \$2,630,400 in the amount of Consolidated Debenture Stock pledged as collateral.

Land Transactions

Net proceeds from sales of lands included in Retained Income amounted to \$64.2 million. Included were gross sales totalling \$53.7 million for 226,000 acres of timber lands to MacMillan, Bloedel and Powell River Limited and Crown Zellerbach Canada Limited. Sales to wholly-owned subsidiaries included \$5.1 million for 883,000 acres of agricultural lands to Marathon Realty Company Limited and 51,000 acres of timber lands for \$9.2 million to Pacific Logging Company Limited.

Balance Sheet

Certain changes have been made in the presentation of the Balance Sheet accounts. The Provision for Depreciation, which was formerly shown on the liability side of the Balance Sheet, is now shown on the asset side as a deduction from property investment. Other changes reflect developments in the corporate structure. Owing to its importance in the overall corporate picture, your investment in Canadian Pacific Investments Limited has been shown as a separate item. Following the sale of the agricultural lands and the deferred

payments relating thereto to Marathon Realty Company Limited, the captions "Deferred Payments and Mortgages on Properties" and "Unsold Lands and Properties" have been eliminated. The remaining assets that were formerly included in Unsold Lands and Properties—the Esquimalt and Nanaimo Railway Company timber lands, the Vancouver Townsite and the miscellaneous lands not required for transportation purposes—have been included in Other Properties, while the balance of the deferred payments and mortgages has been included in Other Investments. The figures for 1963 have been stated on a basis comparable with 1964.

During the year your Company's holdings in the capital stock of Midland Simcoe Elevator Company, Limited were sold to Canadian Pacific Investments Limited. The holdings in the capital stock of Lethbridge Collieries, Limited were sold to Canadian Pacific Oil and Gas Limited, a wholly-owned subsidiary of Canadian Pacific Investments Limited, and the holdings in shares of the following companies were sold to Marathon Realty Company Limited, also a wholly-owned subsidiary of Canadian Pacific Investments Limited: The Alberta Stock Yards Company, Limited; Meadowbrook Development Corporation; The New Brunswick Cold Storage Company, Limited; and The Scottish Trust Company. All transactions were at book values.

Working capital, at \$40.6 million, decreased \$32.4 million. Details of additions and deductions are set out in a schedule on page 33.

The net additions to Properties during the year were \$8.0 million. Particulars of expenditures and retirements are contained in a supporting schedule on page 33.

Capital Appropriations

Capital appropriations amounting to \$28.5 million, in addition to those forecast in the last Annual Report, were authorized by your Directors. These included \$12.8 million for freight cars, \$8.3 million for aircraft, \$2.7 million for new trackage, \$1.3 million for other road facilities, \$1.4 million for telecommunications and \$410,000 for hotels.

The capital appropriations anticipated by your Company for 1965 are set out in a schedule on page 41.

Pensions and Other Benefits

Pension expenses of your Company for 1964 amounted to \$28.0 million, an increase of \$1.5 million or 6%. This amount included the portion of pension allowances currently being borne by the Company, levies in respect of employees covered by the United States Railroad Retirement Act, and contributions of \$7.2 million to the Pension Trust Fund. The portion of such contributions not subject to current withdrawal, with interest, had accumulated to \$110.8 million at the end of the year and will enable the fund to bear a larger share of the cost of future pension benefits.

The number of pensions granted during the year was 1,601 while 1,238 pensions were terminated by death and other causes. At December 31 there were 19,866 on the pension payroll.

Payments made by your Company in respect of health and welfare benefit plans and unemployment insurance amounted to \$5.8 million.

CANADIAN PACIFIC INVESTMENTS LIMITED

The comparative Income Account and Balance Sheet of Canadian Pacific Investments Limited are incorporated in this report at pages 26 and 27.

Net income of this company amounted to \$19.2 million from which dividends of \$14.3 million were declared. Income for the year included dividends of \$13.6 million from The Consolidated Mining and Smelting Company of Canada Limited, \$2.5 million from Canadian Pacific Oil and Gas Limited, \$519,000 from Pacific Logging Company Limited and \$200,000 from Marathon Realty Company Limited. Dividends and interest income from the investment portfolio amounted to \$3.4 million.

An additional \$155.5 million of capital stock was issued, bringing the total outstanding in the hands of your Company to \$279.3 million at year end. The funds thus available were used to purchase \$41.5 million of additional securities of controlled companies and the balance was applied to the investment portfolio.

Canadian Pacific Oil and Gas Limited

Purchases of capital stock of this company totalling \$15.5 million were made by Canadian Pacific Investments Limited. The aggregate stock investment at the end of the year was \$32.3 million.

Net earnings of Canadian Pacific Oil and Gas Limited, at \$6.7 million, were \$1.2 million higher than in the previous year. After providing for dividends, earnings amounting to \$4.2 million were retained to finance exploration, development and drilling programs.

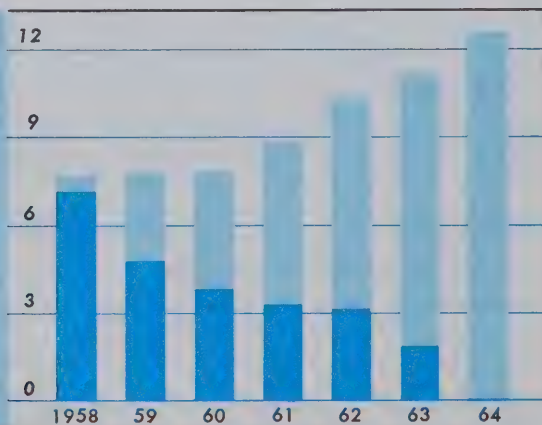
Gross revenue amounted to \$13.2 million, up \$3.3 million over 1963.

Revenue from the sale of gas, oil and other petroleum products, at \$4.1 million, increased \$1.7 million. Of the total, \$2.5 million was from the sale of 18.0 billion cubic feet of gas and \$1.6 million from the sale of 904,000 barrels of oil and other plant products. The daily gas production in 1964 was 49.2 million cubic feet compared with 31.5 million cubic feet in 1963. Oil production averaged 2,300 barrels daily compared with 1,000 barrels daily for 1963.

OIL AND GAS

REVENUE

MILLIONS OF DOLLARS



Royalties received on the production of oil and gas from the mineral rights of Canadian Pacific Oil and Gas Limited leased to other operators amounted to \$7.5 million, an increase of \$795,000. Of this increase, \$328,000 related to gas production, \$254,000 to sale of plant products, \$75,000 to oil production and \$138,000 to sale of other minerals.

Lease rental revenue, at \$1.1 million, increased \$820,000.

The results of the 1964 drilling program were 33 gas wells and 39 oil wells—a success ratio of over 50%. At year end net wells owned, which were producing or capable of production, comprised 162.1 gas wells and 114.9 oil wells.

The exploration and development program for 1965 provides for the drilling of 188 wells and will include a major program in the Province of Saskatchewan.

Canadian Pacific Oil and Gas Limited, through participation in a jointly-owned company, Bow River Pipe Lines Limited, completed and put into operation a strategically located 267-mile crude oil pipeline in Alberta running from Taber and connecting with the Interprovincial Pipe Line at Hardisty.

In 1964 a wholly-owned subsidiary was formed in the United Kingdom. This subsidiary will participate in the exploration for oil and gas, in association with two other companies, in some 800,000 acres in the British offshore area of the North Sea.

Pacific Logging Company Limited

Purchases of capital stock of this company totalling \$10.8 million were made by Canadian Pacific Investments Limited. The aggregate stock investment at the end of the year was \$26.0 million.

Net earnings of Pacific Logging amounted to \$1.7 million compared with \$253,000 in 1963. Production of logs, including that of affiliates, amounted to 210 million board feet.

The year 1964 was one of active development. An additional 53,000 acres of timber land were purchased bringing holdings to 134,000 acres at year end. Over 157 miles of main and branch logging roads were constructed during the year.

The program of reforestation was further advanced during the year with the planting of some 1.3 million trees in an area of 3,400 acres of logged over land on Vancouver Island. Following favourable results from test areas treated in 1963, 1,500 acres of second growth lands were fertilized by aircraft.

A modern sawmill at Slocan, B.C. was completed and in production by year end. This mill has a capacity of 100,000 board feet of lumber per eight-hour shift.

Studies are continuing on the economics of a pulp mill development in Southern British Columbia and a notice of intent to apply for a pulpwood harvesting licence has been submitted to the Government of British Columbia.

Marathon Realty Company Limited

Purchases of capital stock of this company totalling \$13.2 million were made by Canadian Pacific Investments Limited.

Agricultural lands of your Company amounting to 883,000 acres were purchased by Marathon Realty and a program to increase the number of acres in production was advanced.

In Montreal, work commenced in September on a multi-million dollar complex

named "Place du Canada". This will include a new Canadian Pacific hotel, Le Château Champlain, and a 500,000 square foot office building. The office building will be built and operated by a subsidiary of Foundation Company of Canada Limited, with Marathon Realty holding a minority interest. Studies are underway in regard to the development of downtown properties in the cities of Vancouver and Toronto.

Development of industrial parks at Calgary and Montreal was progressed during the year.

Net earnings of this company, in its first full year of operation, amounted to \$531,000.

Canadian Pacific Hotels Limited

Purchases of capital stock of this company totalling \$742,000 were made by Canadian Pacific Investments Limited. The aggregate stock investment at the end of the year was \$912,000.

Construction was started in September on the 620-room, 38-storey luxury hotel, Le Château Champlain, which will be owned and operated by Canadian Pacific Hotels Limited. This hotel is to be completed and in operation for "Expo '67" and Canada's centennial celebrations.

A lease arrangement was entered into during the year for the operation of Le Baron Motor Hotel, a new 84-room motel at Sherbrooke, Quebec, which was opened for business in late summer.

Early in 1965, a management contract was entered into for the operation of a new 330-room, 36-storey luxury hotel, at Edmonton. This hotel, which has been named Chateau Lacombe, is expected to be fully operative in 1966. Two outstanding features of this new hotel will be the convention facilities and the parking space for some 750 cars.

Additional studies are underway for the operation of restaurants and hotels in various parts of Canada.

"Reserve-a-Room" operations were expanded during 1964 and now provide a reservation service covering 32 hotels and motor hotels across Canada and in the United States and Bermuda.

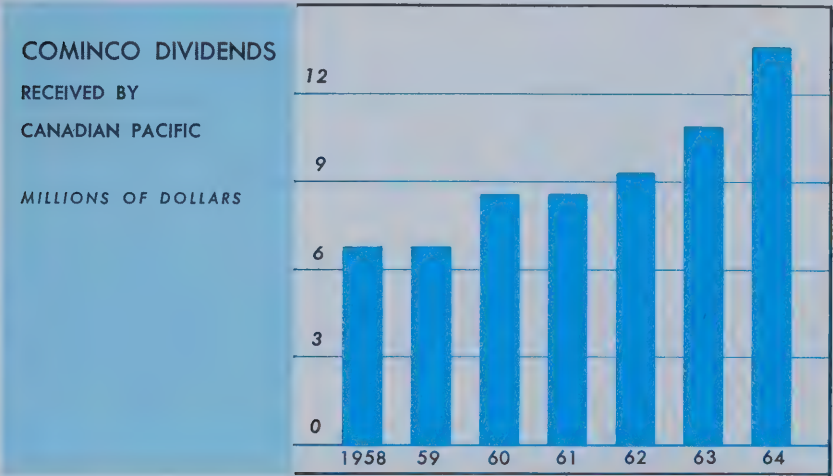
The Consolidated Mining and Smelting Company of Canada Limited

During the year, 23,696 shares of the capital stock of this company were acquired by Canadian Pacific Investments Limited on the market at a cost of \$896,000. The holding of shares at the end of the year was 8,539,761 which was 51% of the total outstanding.

Net profit of Cominco amounted to \$39.1 million, or \$2.35 per share, after providing \$24.1 million for income and mining taxes and \$11.7 million for depletion and depreciation of plants. The comparable earnings in 1963 were \$29.8 million, or \$1.82 per share. Dividends were declared at a rate of \$1.60 per share, compared with \$1.30 per share in the previous year.

Excellent progress was made in preparing for production of the Pine Point Mines Limited zinc-lead property situated south of Great Slave Lake in the Northwest Territories. Rail service became available late in 1964 and test shipments of high grade ore commenced in November. Construction of the concentrator, and power supply will be completed late in 1965. Cominco holds 78% of the issued shares of Pine Point Mines Limited and, under contract, acts as its manager and agent.

During the year Cominco acquired all the plants and properties of Western Canada Steel Limited, a well established steel producer at Vancouver, B.C. Construction of Cominco's second pig iron furnace at Kimberley, B.C. was completed in October and construction of a steel ingot plant at this location, to supplement the limited supply of scrap available to the Vancouver operation, is under way.



Following extensive exploration on properties owned or held in Saskatchewan a large deposit of high grade potash was discovered. A \$65 million project is being planned to bring this property into operation. Production is expected to be about a million tons a year.

Cominco, in co-operation with Dresser Industries Inc., announced plans for the opening of a lead mine and concentrating plant near Bixby, Missouri to be brought into production in late 1967. The annual capacity will be approximately 70,000 tons of lead concentrates.

Negotiations are underway with Mitsubishi Metal Mining Company for construction of a lead smelter in Japan to handle shipments of high grade ore concentrates from Pine Point Mines Limited.

Other projects include expansion of plants at Trail, B.C. to treat Pine Point concentrates, the construction of a phosphate fertilizer plant at Regina, Saskatchewan, an ammonium nitrate plant in Nebraska, U.S.A. and, on behalf of Cominco Binani Zinc Limited, zinc and sulphuric acid plants in Southwest India.

Investment Portfolio

The investment portfolio of Canadian Pacific Investments Limited, excluding controlled companies, at \$193.4 million, increased \$121.2 million. Taking into account commitments at year end, a total of \$126.5 million was comprised of common stocks. Based on cost, the breakdown of the common stock holdings by industry classification was as follows:

Pulp and Paper	31%	Chemicals	10%
Pipelines	30%	Oil and Gas	10%
Financial Institutions	15%	Metals and Mining	4%

The composition of the investment portfolio is designed to complement the other assets of your corporate enterprise.

CORPORATE — GENERAL

Management Re-organization

An extensive realignment of the senior management structure of your Company was effected in the latter part of the year. Mr. N. R. Crump was elected Chairman and Chief Executive Officer, and Mr. R. A. Emerson was elected President and appointed Chief Operating Officer. A closer liaison between the operating and traffic departments of the Company was achieved by placing jurisdiction for both departments under Mr. Ian D. Sinclair, Q.C. the Vice-President of the Company. An additional vice-presidency was created and responsibilities re-arranged so that Company Services came under the jurisdiction of one vice-president and Company non-transportation interests were grouped together under the jurisdiction of another.

By-laws

The following By-Law enacted by your Directors will be submitted for your approval: By-Law No. 76 which relates to the powers and duties of the Board, officers and employees of the Company, provides for the execution of instruments on behalf of the Company and repeals By-Laws Nos. 20, 20-A, 21, 22, 24, 25, 26, 29 and 37.

Directorate

It is with deep regret that your Directors record the loss by death, in February 1965 of Mr. Louis L. Lang. During the period of over eighteen years in his association with the Board, Mr. Lang made a notable contribution to the affairs of the Company.

Mr. W. Earle McLaughlin was appointed a Director to succeed Mr. Lang.

The under-mentioned Directors will retire from office at the forthcoming Annual Meeting. They are eligible for re-election.

Hon. F. Philippe Brais, C.B.E., Q.C.

Mr. N. R. Crump

Mr. G. Blair Gordon

Mr. H. H. Lank

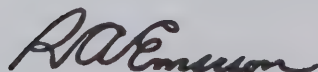
Mr. H. E. Sellers, C.B.E.

Mr. Ian D. Sinclair, Q.C.


Patrons, Officers and Employees

Your Directors wish to express their sincere appreciation to all users of Canadian Pacific services for their patronage and to officers and employees for the loyal and efficient manner in which they have carried out their responsibilities.

For the Directors,



President.



Chairman.

Montreal, March 8th, 1965.

CANADIAN PACIFIC RAILWAY COMPANY

Income Account

Income from Railway and Miscellaneous Sources:	1964	1963
Railway Revenues (Page 29)	\$510,144,989	\$477,197,937
Railway Expenses (Page 29)	<u>466,680,334</u>	<u>441,936,070</u>
Net Railway Earnings	\$ 43,464,655	\$ 35,261,867
Other Income (Page 30)	<u>16,789,532</u>	<u>21,402,406</u>
	\$ 60,254,187	\$ 56,664,273
Fixed Charges (Page 30)	<u>16,184,235</u>	<u>16,538,162</u>
Net Income from Railway and Miscellaneous Sources* . .	<u>\$ 44,069,952</u>	<u>\$ 40,126,111</u>
Dividends therefrom:		
Preference Stock — 4%	\$ 3,390,058	\$ 3,406,980
Ordinary Stock — \$1.50 per share	<u>21,498,684</u>	<u>21,498,684</u>
	\$ 24,888,742	\$ 24,905,664
Balance transferred to Retained Income Account	<u>\$ 19,181,210</u>	<u>\$ 15,220,447</u>
Income from Canadian Pacific Investments Limited:		
Net Income (being dividends received from Canadian Pacific Investments Limited — Page 26)	\$ 14,332,456	
Dividends therefrom:		
Ordinary Stock — \$1.00 per share	<u>\$ 14,332,456</u>	

*Excluding dividends received from Canadian Pacific Investments Limited.

Retained Income Account

Retained Income (Balance) January 1.	<u>\$597,929,962</u>	<u>\$553,810,301</u>
Balance of Income Account for the year ended December 31	\$ 19,181,210	\$ 15,220,447
Net Proceeds from Sales of Lands, Townsites and other Properties	64,184,313	26,285,578
Miscellaneous (Net)	<u>693,014</u>	<u>2,613,636</u>
	\$ 84,058,537	\$ 44,119,661
Retained Income (Balance) December 31, as per Balance Sheet	<u>\$681,988,499</u>	<u>\$597,929,962</u>

Canadian Pacific *Railway Company*

ASSETS

	1964	1963
Current Assets:		
Cash	\$ 7,850,848	\$ 13,203,839
Temporary Cash Investments	47,054,244	67,467,992
Special Deposits	5,127,079	5,129,839
Agents' and Conductors' Balances	33,673,402	28,856,792
Other Accounts Receivable	33,227,295	31,273,804
Material and Supplies	32,006,303	30,415,062
	<u>\$ 158,939,171</u>	<u>\$ 176,347,328</u>
Insurance Fund	<u>\$ 14,030,585</u>	<u>\$ 13,840,132</u>
Deferred Debits:		
Unadjusted Charges and Other Assets	\$ 8,506,831	\$ 21,407,262
Unamortized Discount on Funded Debt	1,903,519	2,299,171
	<u>\$ 10,410,350</u>	<u>\$ 23,706,433</u>
Investments:		
Canadian Pacific Investments Limited	\$ 279,270,160	\$ 123,732,220
Other Controlled Companies	120,760,762	125,338,694
Other Investments	46,443,814	42,338,701
	<u>\$ 446,474,736</u>	<u>\$ 291,409,615</u>
Properties:		
Railway	\$ 2,106,287,655	\$ 2,087,998,357
Telecommunications	98,514,559	91,015,196
Hotels	80,969,688	80,057,498
Steamships	61,865,575	80,808,869
Aircraft	57,811,931	51,073,384
Other Properties	14,950,194	21,457,347
	<u>\$ 2,420,399,602</u>	<u>\$ 2,412,410,651</u>
Less: Provision for Depreciation	1,061,885,837	1,022,535,162
	<u>\$ 1,358,513,765</u>	<u>\$ 1,389,875,489</u>
	<u>\$ 1,988,368,607</u>	<u>\$ 1,895,178,997</u>

BALANCE SHEET, DECEMBER 31

LIABILITIES

	1964	1963
Current Liabilities:		
Accounts Payable and Wages Accrued	\$ 60,014,547	\$ 65,661,112
Taxes Accrued	17,730,016	11,115,249
Dividends Declared	23,674,958	12,927,457
Other Current Liabilities	16,926,192	13,685,308
	<u>\$ 118,345,713</u>	<u>\$ 103,389,126</u>
 Deferred Liabilities	 <u>\$ 6,560,343</u>	 <u>\$ 5,615,031</u>
 Deferred Credits and Reserves:		
Deferred Credits	\$ 3,341,358	\$ 4,330,257
Tax Equalization Reserve.	113,100,000	107,800,000
Insurance Reserve.	14,030,585	13,840,132
Investment and Other Reserves	15,377,447	20,887,392
	<u>\$ 145,849,390</u>	<u>\$ 146,857,781</u>
 Funded Debt.	 <u>\$ 129,212,500</u>	 <u>\$ 135,072,500</u>
 Debenture Stock.	 <u>\$ 292,548,888</u>	 <u>\$ 292,548,888</u>
 Shareholders' Equity:		
Preference Stock	\$ 137,256,921	\$ 137,256,921
Ordinary Stock.	358,311,400	358,311,400
Premium on Stock.	38,528,724	38,528,724
Donations and Grants	79,766,229	79,668,664
Retained Income (Balance)	681,988,499	597,929,962
	<u>\$ 1,295,851,773</u>	<u>\$ 1,211,695,671</u>
	<u><u>\$1,988,368,607</u></u>	<u><u>\$1,895,178,997</u></u>

H. C. REID, Vice-President and Comptroller

Canadian Pacific Investments Limited

Income Account

REVENUES	1964	1963
Dividends:		
Controlled Companies:		
Canadian Pacific Oil and Gas Limited	\$ 2,500,000	—
The Consolidated Mining and Smelting Company of Canada Limited	13,644,661	\$ 81,715
Marathon Realty Company Limited	200,000	—
Pacific Logging Company Limited	519,397	—
Other Controlled Companies	37,505	11,953
Other Companies	1,578,021	130,478
	<u>\$18,479,584</u>	<u>\$ 224,146</u>
Interest	1,828,616	639,546
	<u>\$20,308,200</u>	<u>\$ 863,692</u>
 EXPENSES	 132,001	 36,604
	<u> </u>	<u> </u>
 Net Income before Income Taxes	 \$20,176,199	 \$ 827,088
Provision for Income Taxes	947,068	330,572
	<u> </u>	<u> </u>
 NET INCOME	 <u><u>\$19,229,131</u></u>	 <u><u>\$ 496,516</u></u>

Retained Income Account

Balance at January 1, 1964		\$ 583,527
Add: Net Income for the year ended December 31, 1964 . . .	\$19,229,131	
Net Gain on Sale of Securities	247,223	19,476,354
	<u> </u>	<u> </u>
		\$20,059,881
Less: Dividends		14,332,456
		<u> </u>
 Balance at December 31, 1964		 <u><u>\$ 5,727,425</u></u>

Canadian Pacific Investments Limited

Balance Sheet, December 31

ASSETS

Current Assets:

	1964	1963
Cash	\$ 19,442	\$ 77
Demand Deposits	1,597,800	—
Term Deposits	9,000,000	33,655,000
Accrued Interest and Dividends	9,517,394	368,654
Accounts Receivable	13,734	2,300
	<u>\$ 20,148,370</u>	<u>\$ 34,026,031</u>

Deferred Debits	\$ 775	\$ 14,083
	<u>\$ 775</u>	<u>\$ 14,083</u>

Investments, at cost:

Controlled Companies — Capital Stocks:		
Canadian Pacific Hotels Limited*	\$ 912,000	\$ 170,000
Canadian Pacific Oil and Gas Limited*	32,328,906	16,790,393
The Consolidated Mining and Smelting Company of Canada Limited	20,104,453	19,208,118
Marathon Realty Company Limited*	13,182,880	20,000
Midland Simcoe Elevator Company, Limited	392,000	—
Pacific Coast Bulk Terminals Limited	265,000	265,000
Pacific Logging Company Limited*	25,969,865	15,199,690
West Kootenay Power and Light Company Limited	402,545	389,480
	<u>\$ 93,557,649</u>	<u>\$ 52,042,681</u>

Other: (Market value approximately \$187,000,000)		
Bonds	\$ 59,898,544	\$ 16,987,017
Stock:		
Preferred	11,082,557	6,083,125
Common	111,800,923	15,493,382
	<u>\$182,782,024</u>	<u>\$ 38,563,524</u>
	<u>\$296,488,818</u>	<u>\$124,646,319</u>

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 13,096	\$ —
Accrued Taxes	728,795	330,572
Dividend Declared	10,749,342	—
	<u>\$ 11,491,233</u>	<u>\$ 330,572</u>

Shareholders' Equity:

Capital Stock —		
Authorized — 40,000,000 Common shares of No Par Value		
Issued —		
To December 31, 1963 —		
12,373,222 shares of No Par Value	\$123,732,220	
During 1964 —		
15,553,794 shares of No Par Value	155,537,940	
	<u>\$279,270,160</u>	<u>\$123,732,220</u>
Retained Income (Balance)	5,727,425	583,527
	<u>\$284,997,585</u>	<u>\$124,315,747</u>
	<u>\$296,488,818</u>	<u>\$124,646,319</u>

*Denotes complete ownership.

Contingent Liabilities

At December 31, 1964, the Canadian Pacific Railway Company was contingently liable with respect to securities of the following companies:

THE CALGARY AND EDMONTON RAILWAY COMPANY—operated under lease by Canadian Pacific Railway Company. Guarantee and assumption of payment of principal £1,121,700 4% Consolidated Debenture Stock, terminable January 1, 2002, upon expiry of lease on January 1, 2002, or in alternative, renewal of lease.

Interest on the principal outstanding, excluding £109,828 held by Canadian Pacific Railway Company, is included as part of Rent for Leased Roads in Fixed Charges.

MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILWAY COMPANY—predecessor of Minneapolis, St. Paul & Sault Ste. Marie Railroad Company now merged in Soo Line Railroad Company. Guarantee of interest payable in United States currency on principal of \$1,069,586 5½% First Refunding Mortgage Bonds, Series "B", dated to mature July 1, 1978.

Auditors' Report to the Shareholders of Canadian Pacific Railway Company

We have examined the Balance Sheet of Canadian Pacific Railway Company and that of Canadian Pacific Investments Limited as at December 31, 1964 and the related financial statements, and have obtained all the information and explanations we have required. Our examination included such tests of accounting records and other supporting evidence and such other procedures as we considered necessary in the circumstances. Dividends received by Canadian Pacific Railway Company from Canadian Pacific Investments Limited are reported separately from income from railway and miscellaneous sources and in accordance with Company policy are paid to shareholders of Canadian Pacific Railway Company by way of additional dividends.

In our opinion, with the foregoing explanation, the Balance Sheets and related financial statements referred to above present fairly the financial position of Canadian Pacific Railway Company and that of Canadian Pacific Investments Limited as at December 31, 1964 and the results of their operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

PRICE WATERHOUSE & Co., *Chartered Accountants.*

Montreal, March 5, 1965

Railway Revenues

	1964	1963
Freight	\$449,174,898	\$419,321,731
Passenger	24,996,914	24,968,321
Sleeping, Dining, Parlour Car and News Service	11,694,057	10,370,742
Mail	5,059,415	5,143,988
Express	4,415,713	5,098,968
Miscellaneous	14,803,992	12,294,187
	<u>\$510,144,989</u>	<u>\$477,197,937</u>

Railway Expenses

Road Maintenance	\$ 82,550,923	\$ 82,911,730
Equipment Maintenance	102,393,839	101,717,135
Traffic	12,901,623	13,058,639
Transportation — Railway Line	177,103,848	165,164,071
Miscellaneous Railway Operations	9,149,464	7,769,285
General	39,786,634	38,761,172
Operating Expenses	<u>\$423,886,331</u>	<u>\$409,382,032</u>
Equipment Rents (Net) Cr.	2,984,817	Cr. 3,180,595
Joint Facility Rents (Net)	1,519,683	1,572,249
Railway Tax Accruals:		
Provision for Income Taxes (Note, page 30)	32,300,000	23,100,000
Other Railway Taxes	11,959,137	11,062,384
	<u>\$466,680,334</u>	<u>\$441,936,070</u>

Other Income

	1964	1963
Net earnings from steamships Dr.	\$ 384,671	Dr. \$ 2,907,686
Net earnings from hotel, telecommunication and other properties	3,819,901	3,367,883
Dividends from miscellaneous sources	4,105,765	13,066,611*
Net income from petroleum rents, royalties, reservation fees, and land rents	278,950	2,185,251
Net income from interest, separately operated properties and miscellaneous sources	14,629,587	11,360,347
	<u>\$22,449,532</u>	<u>\$27,072,406</u>
Provision for income taxes (Note)	5,660,000	5,670,000
	<u>\$16,789,532</u>	<u>\$21,402,406</u>

*Includes dividends totalling \$10,936,250 on shares of The Consolidated Mining and Smelting Company of Canada Limited which in 1964 were held by Canadian Pacific Investments Limited.

NOTE:—Income tax provisions are included in the accounts on the basis of depreciation accruals charged income while for tax payment purposes capital cost allowances are claimed. For the year there was a deferment of \$5.3 million taxes payable in respect of Railway and Other Income which liability has been added to the Tax Equalization Reserve.

Fixed Charges

Interest on Debenture Stock and Funded Debt:

Perpetual 4% Consolidated Debenture Stock	\$ 8,415,146	\$ 8,446,848
Equipment Trust Certificates	688,879	850,930
Collateral Trust Bonds	4,854,320	4,964,191
	<u>\$13,958,345</u>	<u>\$14,261,969</u>

Rent for Leased Roads:

Ontario and Quebec Railway	\$ 709,691	\$ 727,416
Quebec Central Railway	251,608	258,356
Other	620,975	590,957
	<u>\$ 1,582,274</u>	<u>\$ 1,576,729</u>

Guaranteed Interest:

Minneapolis, St. Paul & Sault Ste. Marie Railway Company Bonds	\$ 17,288	\$ 7,025
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Interest on Unfunded Debt	<u>\$ 113,916</u>	<u>\$ 146,051</u>
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Amortization of Discount on Funded Debt	<u>\$ 512,412</u>	<u>\$ 546,388</u>
	<u>\$16,184,235</u>	<u>\$16,538,162</u>

Investments — Other Controlled Companies

	Rate	Par Value or Principal Amount
Aroostook Valley Railroad Company		
Capital Stock		\$ 256,400
Canadian Pacific Air Lines, Limited		
† Preference Stock	5%	9,750,000
† Ordinary Stock—No Par Value—2,600,000 shares	Cost	13,000,000
Advances		6,322,234
Canadian Pacific (Bermuda) Limited		
† Capital Stock — 441,000 shares	Cost	1,316,886
Canadian Pacific Express Company		
† Capital Stock		4,250,000
Canadian Pacific Steamships, Limited		
† Capital Stock—176,083 shares	Cost	5,109,342
Advances		642,611
Canadian Pacific Transport Company, Limited		
† Capital Stock		6,000,000
Central Terminal Railway Company		
† Capital Stock		2,000,000
Quebec Central Transportation Company		
† Capital Stock		292,000
Advances		69,945
Sault Ste. Marie Bridge Company		
Capital Stock		500,000
Advances		235,035
Seignior Club Community Association, Limited		
† Capital Stock—No Par Value—10,000 Shares	Cost	500,000
Smith Transport Limited		
† Preference Stock	5%	12,000,000
Smithsons Holdings Limited		
† Preference Stock	5%	510,000
† Common Stock—No Par Value—10,000 shares	Cost	14,213,163
Advances		900,000
Carried forward		\$ 77,867,616

Investments — Other Controlled Companies — Continued

	Rate	Par Value or Principal Amount
Soo Line Railroad Company	<i>Brought forward</i>	\$ 77,867,616
Common Stock—No Par Value—704,953 shares	Cost	28,269,860
*Duluth, South Shore and Atlantic Railroad Company		
† First Mortgage Income Bonds	4%	4,361,200
*Minneapolis, St. Paul & Sault Ste. Marie Railroad Company		
General Mortgage Income Bonds	4%	3,339,000
*Wisconsin Central Railroad Company		
First Mortgage Bonds	4%	1,586,500
General Mortgage Income Bonds	4 ½%	10,427,450
Miscellaneous	Cost	294,231
Carried on Balance Sheet at Cost - \$120,760,762.	Total	<u>\$126,145,857</u>
† Denotes complete ownership.		
* Obligation and liability assumed by Soo Line Railroad Company		

Investments — Other Investments

	Rate	Par Value or Principal Amount
Northern Alberta Railways Company		
First Mortgage Bonds	4%	\$ 16,500,000
Capital Stock		8,540,000
The Toronto, Hamilton and Buffalo Railway Company		
Capital Stock		1,469,500
The Toronto Terminals Railway Company		
First Mortgage Bonds	5%	10,784,700
Capital Stock		250,000
Advances		230,000
Transoceanic Navigation Corporation		
First Preferred Mortgage	5%	6,420,000
Deferred Payments and Mortgages on Properties		1,834,156
Miscellaneous	Cost	<u>1,372,932</u>
Carried on Balance Sheet at Cost - \$46,443,814.	Total	<u>\$ 47,401,288</u>

Changes in Working Capital

Working Capital December 31, 1963 \$ 72,958,202

ADDITIONS:

Balance of Income Account transferred to Retained Income. . . .	\$ 19,181,210	
Provision for Depreciation	70,530,842	
Income Taxes Deferred	5,300,000	
Proceeds from Sales of Lands, Townsites and other Properties. . .	70,143,274	
Salvage from Depreciable Property Retired	17,207,278	
Decrease in Deferred Debits — Other Assets	9,800,260	
Decrease in Investments — Other Controlled Companies.	4,577,932	
		<u>196,740,796</u>
		\$269,698,998

DEDUCTIONS:

Purchase of shares of Canadian Pacific Investments Limited . . .	\$155,537,940	
Increase in Other Investments.	4,105,113	
Additions to Properties	63,150,962	
Retirement of Funded Debt	5,860,000	
Sundry Changes — Net.	451,525	
		<u>229,105,540</u>

Working Capital December 31, 1964 \$ 40,593,458

Changes in Investments

	Balance December 31, 1963	Additions	Reductions	Balance December 31, 1964
Canadian Pacific Investments Limited	\$ 123,732,220	\$ 155,537,940	\$ —	\$ 279,270,160
Other Controlled Companies.	125,338,694	4,737,779	9,315,711	120,760,762
Other Investments	42,338,701	6,566,856	2,461,743	46,443,814
	<u>\$ 291,409,615</u>	<u>\$ 166,842,575</u>	<u>\$ 11,777,454</u>	<u>\$ 446,474,736</u>

Changes in Properties

	Balance December 31, 1963	Additions	Retirements and Transfers	Balance December 31, 1964
Railway*.	\$2,087,998,357	\$ 46,824,734	\$ 28,535,436	\$2,106,287,655
Telecommunications.	91,015,196	7,673,212	173,849	98,514,559
Hotels	80,057,498	1,323,050	410,860	80,969,688
Steamships	80,808,869	289,331	19,232,625	61,865,575
Aircraft	51,073,384	6,738,547	—	57,811,931
Other Properties.	21,457,347	302,088	6,809,241	14,950,194
	<u>\$2,412,410,651</u>	<u>\$ 63,150,962</u>	<u>\$ 55,162,011</u>	<u>\$2,420,399,602</u>

*Includes Securities — Leased Railway Companies at cost:
December 31, 1963 \$59,862,978; December 31, 1964 \$60,249,152.

Provision for Depreciation

	Balance December 31, 1963	Appropriated from Income	Net Retirements and Transfers	Balance December 31, 1964
Railway.	\$ 898,740,281	\$ 56,439,639	\$ 21,789,455	\$ 933,390,465
Telecommunications	34,306,712	4,218,315	225,678	38,299,349
Hotels	48,733,759	2,305,843	381,937	50,657,665
Steamships	23,458,098	2,889,407	8,443,006	17,904,499
Aircraft	12,174,151	4,377,382	—	16,551,533
Other Properties	5,122,161	300,256	340,091	5,082,326
	<u>\$1,022,535,162</u>	<u>\$ 70,530,842</u>	<u>\$ 31,180,167*</u>	<u>\$1,061,885,837</u>

*After credits for salvage of \$17,207,278.

Funded Debt

‡ Collateral Trust Bonds:	Rate	Date of Issue	Date of Maturity	Currency	Principal Outstanding
†Convertible Fifteen Year . . .	.3 ½%	Oct. 1, 1951	Oct. 1, 1966	Canadian	\$ 17,975,000
†Convertible Seventeen Year . .	.4%	Dec. 1, 1952	Dec. 1, 1969	Canadian	25,632,000
†Convertible Twenty Year . . .	.3 ½%	April 1, 1950	April 1, 1970	Canadian	392,500
Eighteen Year . . . . .	.3 ¾%	Nov. 15, 1954	Nov. 15, 1972	Canadian	23,421,000
Thirty Year . . . . .	.3 ½%	Nov. 1, 1944	Nov. 1, 1974	United States	7,125,000
Twenty-Five Year . . . . .	.5%	Feb. 1, 1958	Feb. 1, 1983	Canadian	39,995,000
					<u>\$114,540,500</u>

Equipment Trust Certificates:

		Serially to		
Series "M" . . . . .	.3 ¼%	Jan. 2, 1954	Jan. 2, 1969	United States \$ 6,672,000
Series "O" . . . . .	.4 ½%	June 2, 1958	June 1, 1968	Canadian 8,000,000
				<u>\$ 14,672,000</u>
				<u>\$129,212,500</u>

‡Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$136,736,100.

†Conversion Privilege terminated.

Serial maturities of Equipment Trust Certificates in year 1965 total \$3,668,000.

Debenture Stock

Perpetual 4% Consolidated Debenture Stock:

	Sterling	United States Currency	Canadian Currency	Total
Issued:	£ 46,756,621	\$ 72,837,500	\$128,898,600	\$429,284,988
Less: Pledged as collateral .	—	7,837,500	128,898,600	136,736,100
	<u>£ 46,756,621</u>	<u>\$ 65,000,000</u>	<u>—</u>	<u>\$292,548,888</u>

Capital Stocks

Preference Stock—4% Non-Cumulative:

Issued: £28,203,477 — in amounts of £1 and multiples thereof \$137,256,921

Voting Rights: Each £5 of stock entitles the holder to one vote.

Ordinary Stock:

Issued: 14,332,456 shares — \$25 par value \$358,311,400

Voting Rights: Each share entitles the holder to one vote.

Stock Holdings

	Ordinary		Preference		Total Voting Rights
	No. of Holdings*	Voting Rights	No. of Holdings*	Voting Rights	
Canada	36,424	45.22%	5,182	58.18%	48.88%
United Kingdom and other British . . .	3,244	17.26	14,091	39.46	23.53
United States	20,207	27.54	82	0.62	19.94
Other Countries	1,329	9.98	509	1.74	7.65
	<u>61,204</u>	<u>100.00%</u>	<u>19,864</u>	<u>100.00%</u>	<u>100.00%</u>

*Includes only registered holders.

Mileage

Canadian Pacific Railway:	Miles Operated
Atlantic Region	2,471.4
including Dominion Atlantic Lines	277.1
Quebec Central Lines	354.6
Eastern Region	3,271.0
including Lake Erie and Northern Railway	44.3
Grand River Railway	19.0
Prairie Region	6,128.8
Pacific Region	4,806.3
	<hr/> 16,677.5

Controlled Railway Companies:

Aroostook Valley Railroad	32.0
Soo Line Railroad	4,691.3
	<hr/> 4,723.3
	<hr/> 21,400.8

Rolling Stock Inventory

Motive Power:

Diesel units	1,066
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Freight Train Cars:

Box, Automobile and Stock	52,713
Refrigerator, Tank and Covered Hopper	4,980
Gondola, Ore and Open-top Hopper	14,794
Flat — Piggyback, Tri-level, Bi-level and Other	5,617
Conductors' Vans	1,037
	<hr/> 79,141

Passenger Train Cars:

Rail Diesel Cars	54
Coach	397
Sleeping, Dining and Parlour	386
Baggage, Mail and Express	516
	<hr/> 1,353*

Boarding, Tool and Other Work Cars	5,071
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**Includes 11 cars in which the Company owns 36.04% interest
and which are in Toronto, Hamilton and Buffalo line service.*

Hotels

The Digby Pines, Digby, N.S.	Saskatchewan, Regina, Sask.
Algonquin, St. Andrews, N.B.	Palliser, Calgary, Alta.
Chateau Frontenac, Quebec, Que.	Banff Springs, Banff, Alta.
Royal York, Toronto, Ont.	Chateau Lake Louise, Lake Louise, Alta.
Royal Alexandra, Winnipeg, Man.	Empress, Victoria, B.C.

Steamships

Ocean

Beaverash	Beaverelm
Empress of Canada	Empress of England
Gross Tonnage — 61,356	

Coastal

Princess of Acadia	Princess Marguerite
Princess Patricia	Princess of Vancouver
Transfer No. 4	
Gross Tonnage — 25,907	

Inland

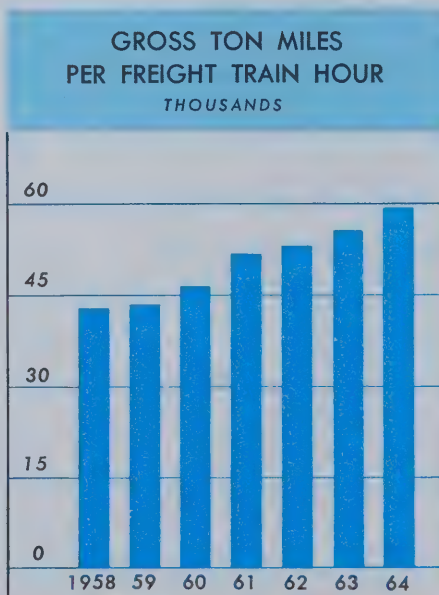
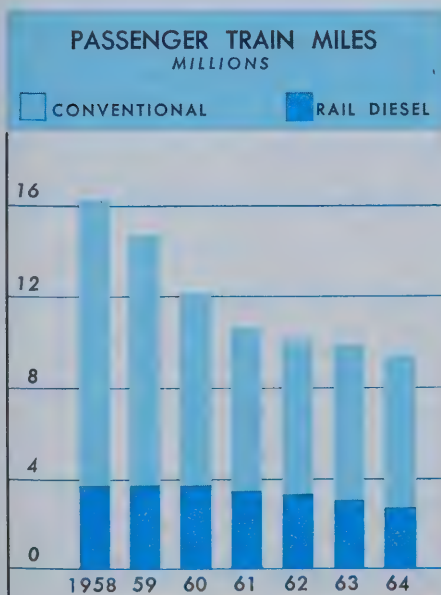
Assiniboia	Keewatin	Okanagan
	Naramata	
Gross Tonnage — 8,135		

Transportation and Traffic Statistics

	Year 1964	Year 1963	Increase or Amount or Number	Decrease Percent
Freight Traffic				
Freight revenue \$	449,174,898	419,321,731	29,853,167	7.1
Tons—Revenue freight.	66,362,475	59,254,103	7,108,372	12.0
Tons—All freight	68,336,824	61,475,469	6,861,355	11.2
Ton miles—Revenue freight	33,929,696,000	29,134,471,000	4,795,225,000	16.5
Ton miles—All freight	34,581,092,000	29,803,812,000	4,777,280,000	16.0
Averages per Mile of Road				
Freight revenue \$	26,922	25,047	1,875	7.5
Total freight train car miles.	89,130	79,794	9,336	11.7
Ton miles—Revenue freight	2,033,594	1,740,244	293,350	16.9
Ton miles—All freight	2,072,635	1,780,225	292,410	16.4
Averages per Train Mile				
Freight revenue \$	17.48	17.33	0.15	.9
Loaded freight car miles	35.4	34.2	1.2	3.5
Empty freight car miles	21.2	19.8	1.4	7.1
Car miles—All classes	58.1	55.5	2.6	4.7
Ton miles—Revenue freight	1,320.5	1,204.0	116.5	9.7
Ton miles—All freight	1,345.9	1,231.6	114.3	9.3
Gross ton miles.	2,771.7	2,579.6	192.1	7.4
Averages per Loaded Car Mile				
Freight revenue \$	49.2	50.5	1.3	2.6
Ton miles—All freight	37.9	35.9	2.0	5.6
Miscellaneous Averages				
Revenue per ton of freight \$	6.77	7.08	0.31	4.4
Revenue per ton mile of freight \$	1.32	1.44	0.12	8.3
Miles hauled—Revenue freight	511.3	491.7	19.6	4.0
Miles hauled—All freight.	506.0	484.8	21.2	4.4
Gross ton miles per train hour.	59,138	55,114	4,024	7.3
Train speed—Miles per hour	21.3	21.4	.1	.5
Classification of Revenue Tonnage				
Carried				
Products of agriculture.	17,264,507	13,384,415	3,880,092	29.0
Animals and animal products	467,434	463,149	4,285	.9
Products of mines	20,200,834	18,590,084	1,610,750	8.7
Products of forests	6,398,083	6,238,647	159,436	2.6
Manufactures and miscellaneous	21,679,320	20,195,146	1,484,174	7.3
Total Carload Traffic	66,010,178	58,871,441	7,138,737	12.1
All less carload freight.	352,297	382,662	30,365	7.9
Total Carload and L.C.L. Traffic	66,362,475	59,254,103	7,108,372	12.0

Transportation and Traffic Statistics—Continued

	Year 1964	Year 1963	Increase or Amount or Number	Decrease Percent
Passenger Traffic				
Passenger revenue \$	24,996,914	24,968,321	28,593	.1
Passenger service train revenue . . . \$	38,466,136	39,079,088	612,952	1.6
Revenue passengers carried	6,997,202	6,748,859	248,343	3.7
Revenue passenger miles.	1,023,475,000	839,356,000	184,119,000	21.9
Averages per Train Mile				
Passenger revenue \$	2.67	2.51	0.16	6.4
Passenger service train revenue . . . \$	4.11	3.93	0.18	4.6
Car miles—All classes	10.9	9.8	1.1	11.2
Revenue passenger miles.	109.4	84.4	25.0	29.6
Gross ton miles.	705.8	630.3	75.5	12.0
Averages per Car Mile—Passenger				
Passenger revenue ¢	42.1	44.3	2.2	5.0
Revenue passenger miles.	17.2	14.9	2.3	15.4
Miscellaneous Averages				
Revenue per passenger \$	3.57	3.70	0.13	3.5
Revenue per passenger mile ¢	2.44	2.97	0.53	17.8
Miles carried—Revenue passengers . .	146.3	124.4	21.9	17.6



Transportation and Traffic Statistics—Concluded

	Year 1964	Year 1963	Increase or Amount or Number	Decrease Percent
Average Miles of Road Operated	16,684.6	16,741.6	57.0	.3
Train Miles				
Freight service	25,693,913	24,198,405	1,495,508	6.2
Passenger service:				
With locomotives	6,725,592	6,890,191	164,599	2.4
Rail motor cars.	2,625,718	3,052,250	426,532	14.0
Total	9,351,310	9,942,441	591,131	5.9
Total Transportation Service	35,045,223	34,140,846	904,377	2.6
Diesel Unit Miles				
Freight service	58,768,413	53,968,854	4,799,559	8.9
Passenger service.	15,556,124	15,222,060	334,064	2.2
Switching service—Road and yard. . .	10,750,508	10,168,695	581,813	5.7
Total Transportation Service	85,075,045	79,359,609	5,715,436	7.2
Car Miles				
Freight				
Loaded.	913,505,107	830,765,130	82,739,977	10.0
Empty	545,479,411	478,446,003	67,033,408	14.0
Caboose	28,108,597	26,668,043	1,440,554	5.4
Total	1,487,093,115	1,335,879,176	151,213,939	11.3
Passenger				
Coach	26,111,619	25,566,526	545,093	2.1
Sleeping, parlour and observation . .	33,328,973	30,778,796	2,550,177	8.3
Baggage, mail and express	36,795,927	35,994,731	801,196	2.2
Dining and other	6,476,304	5,455,793	1,020,511	18.7
Total	102,712,823	97,795,846	4,916,977	5.0
Total Transportation Service	1,589,805,938	1,433,675,022	156,130,916	10.9
Gross Ton Miles				
Freight service	71,214,588,000	62,422,278,000	8,792,310,000	14.1
Passenger service.	6,599,961,000	6,266,765,000	333,196,000	5.3
Total Transportation Service	77,814,549,000	68,689,043,000	9,125,506,000	13.3
Revenues and Expenses				
Averages per Mile of Road				
Railway revenues. \$	30,530	28,460	2,070	7.3
Operating expenses. \$	25,388	24,435	953	3.9
Net operating revenue. \$	5,142	4,025	1,117	27.8
Averages per Train Mile				
Railway revenues. \$	14.54	13.95	0.59	4.2
Operating expenses. \$	12.09	11.98	0.11	.9
Net operating revenue. \$	2.45	1.97	0.48	24.4
Percent Operating Expenses to Railway Revenues	83.09	85.79	2.70	3.1
Payroll				
Charged operating expenses \$	238,184,594	228,004,994	10,179,600	4.5
Percent to railway revenues	46.69	47.78	1.09	2.3
Percent to operating expenses	56.19	55.69	.50	.9

Anticipated Capital Appropriations—1965

Station and Roadway Buildings		\$ 1,990,215
Shops and Enginehouses.		574,125
Bridges, Tunnels and Culverts		789,585
Existing Trackage		
Ties	\$ 5,372,250	
Rails	11,228,500	
Other Track Material.	731,900	
Ballast.	597,600	
Signals	<u>4,094,209</u>	22,024,459
New Trackage.		2,231,120
Other Road Facilities		4,922,614
Rolling Stock		
Locomotives.	\$11,519,385	
Freight Cars	27,241,475	
Miscellaneous	<u>1,583,025</u>	40,343,885
Shop Machinery		653,625
Highway Vehicles.		854,719
Telecommunications.		5,907,901
Hotels.		<u>1,123,385</u>
		<u><u>\$81,415,633</u></u>

Twenty-Year Summary

Year	Railway Revenues	Railway Expenses	Net Earnings	Ratio to Revenues	Other Income	Income before Fixed Charges	Fixed Charges
1945	\$316,109	\$280,055	\$36,054	11.4%	\$15,107	\$51,161	\$19,547
1946	292,496	271,653	20,843	7.1	22,780	43,623	18,488
1947	318,586	295,694	22,892	7.2	24,789	47,681	15,787
1948	355,250	336,831	18,419	5.2	24,865	43,284	15,890
1949	363,252	342,620	20,632	5.7	23,637	44,269	14,544
1950	378,577	340,557	38,020	10.0	23,237	61,257	13,390
1951	428,912	402,099	26,813	6.3	29,343	56,156	12,849
1952	457,809	428,878	28,931	6.3	22,652	51,583	12,504
1953	470,572	441,687	28,885	6.1	16,802	45,687	14,237
1954	422,642	395,609	27,033	6.4	17,835	44,868	15,042
1955	448,599	411,272	37,327	8.3	22,894	60,221	16,189
1956	505,262	463,926	41,336	8.2	30,034	71,370	15,752
1957	487,565	449,319	38,246	7.8	23,442	61,688	14,902
1958	467,411	430,919	36,492	7.8	13,409	49,901	16,998
1959	477,806	441,760	36,046	7.5	12,678	48,724	17,435
1960	457,106	423,431	33,675	7.4	12,402	46,077	17,106
1961	465,490	427,839	37,651	8.1	11,717	49,368	16,907
1962	453,169	424,191	28,978	6.4	20,460	49,438	17,080
1963	477,198	441,936	35,262	7.4	21,402	56,664	16,538
1964	510,145	466,680	43,465	8.5	16,789	60,254	16,184

FOR THE YEARS 1945 TO 1964

Net Income from Railway and Miscellaneous Sources	Preference Dividends (Payable in Sterling)	Net Income from Railway and Miscellaneous Sources after Preference Dividends			Net Income from Canadian Pacific Investments Limited		Year
		Total	Per Ordinary Share	Dividends per Ordinary Share	Total	Dividends per Ordinary Share	
\$31,614	\$5,031	\$26,583	\$1.98	\$1.25			1945
25,135	4,558	20,577	1.53	1.25			1946
31,894	4,558	27,336	2.04	1.25			1947
27,394	4,558	22,836	1.70	1.25			1948
29,725	3,873	25,852	1.93	1.25			1949
47,867	3,389	44,478	3.32	1.50			1950
43,307	3,328	39,979	2.98	1.50			1951
39,079	3,103	35,976	2.61	1.50			1952
31,450	3,130	28,320	2.05	1.50			1953
29,826	3,091	26,735	1.94	1.50			1954
44,032	3,136	40,896	2.94	1.50			1955
55,618	3,080	52,538	3.76	1.75			1956
46,786	3,029	43,757	3.11	1.50			1957
32,903	3,068	29,835	2.09	1.50			1958
31,289	3,029	28,260	1.97	1.50			1959
28,971	3,096	25,875	1.81	1.50			1960
32,461	3,204	29,257	2.04	1.50			1961
32,358	3,429	28,929	2.02	1.50			1962
40,126	3,407	36,719	2.56	1.50			1963
44,070	3,390	40,680	2.83	1.50	\$14,332	\$1.00	1964

All dollars in thousands, except amounts per share.

THE RAILWAY DOLLAR 1964

MANUFACTURES
AND
MISCELLANEOUS



48¢

Where it came from

PRODUCTS
OF FARMS



19¢

PRODUCTS
OF MINES
AND FORESTS



22¢

PASSENGER



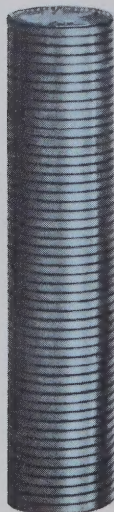
7¢

OTHER



4¢

PAYROLL,
PENSIONS
AND
BENEFITS



53¢

Where it went

MATERIAL
AND
SUPPLIES



19¢

DEPRECIATION



11¢

TAXES
AND
OTHER
EXPENSES



9¢

FIXED
CHARGES



3¢

DIVIDENDS,
IMPROVEMENTS,
ETC.

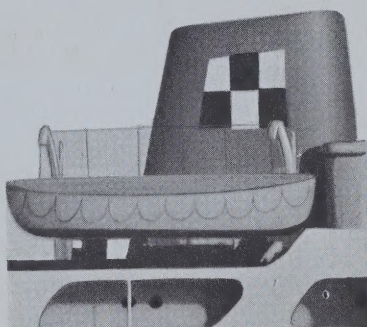


5¢

TRAIN



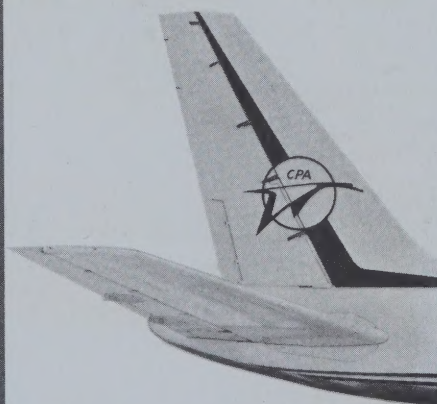
SHIP



TRUCK

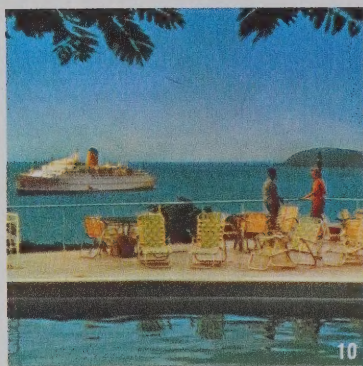


CARGOJET



Integrated freight—across Canada and around the world

For the industrial might of Canada, Canadian Pacific trains, ships, trucks and cargo-jets form an integrated freight service. Trains and trucks from coast to coast... steamships from the Great Lakes to Britain and Continental ports... cargojets across Canada and linking five continents... all save shippers time and money — all play their part in the economic thrust and vigorous industrial growth of Canada.



Canadian Pacific

TRAINS / TRUCKS / SHIPS / PLANES / HOTELS / TELECOMMUNICATIONS
WORLD'S MOST COMPLETE TRANSPORTATION SYSTEM

FRONT COVER: 1. Supersonic jet airliner reserved by CPA. 2. Microwave telecommunications tower on new cross-Canada network. 3. High-speed diesel freight locomotive. 4. Beaverfir cargo vessel at Montreal. 5. Night freight leaves Calgary for Vancouver. 6. Canadian Pacific's newest and largest cushion underframe box car. 7. Merchandise Services highway unit in the Canadian Rockies. 8. Le Château Champlain and office building at Montreal to open in 1967. 9. Rail freight tri-level auto carrier.

BACK COVER: 10. Empress of Canada cruises in the Caribbean. 11. New Chateau Lacombe hotel rising in Edmonton. 12. Pacific Logging Company operations on Vancouver Island. 13. Smith Transport and C.P. Express highway trailers roll onto piggyback cars. 14. Canadian Pacific Oil and Gas wellhead pump near Taber, Alberta. 15. Scenic-Dome view from The Canadian across Canada. 16. Control tower and hump at the new electronic Toronto Freight Yard. 17. Central computer for system-wide Canadian Pacific data processing. 18. Sullivan mine operations of Cominco in British Columbia.